

Message Text

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TO USMISSION OECD PARIS PRIORITY

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LIMDIS

E.O. 11652: GDS

TAGS: ECON, OECD

SUBJECT: GROWTH STUDY BY ECONOMISTS GROUP

REF: OECD PARIS 17485

BELOW ARE EXCERPTS FROM LETTER DATED JULY 3 FROM PAUL W.
MCCRACKEN TO SECRETARY GENERAL VAN LENNEP:

1. THE PROJECT OUGHT TO PLAY A USEFUL ROLE. THE CONVENTIONAL WISDOM OF KEYNESIAN TRADITION DOES SEEM TO BE INADEQUATE AS NEW ECONOMIC FORCES PRODUCE UNANTICIPATED, FUNDAMENTAL, PERSISTING DISEQUILIBRIA IN THE INDUSTRIAL WORLD'S ECONOMIES. WHILE SOME OF THESE DISEQUILIBRIA ARE THE RESULT OF AD HOC AND HOPEFULLY NON-RECURRING DISTURBANCES (EG., THE DISCONTINUOUS JUMP IN OIL PRICES OR SHORT CROP YIELDS), STUDENTS AND MANAGERS OF ECONOMIC
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POLICY MUST ASSUME THAT THERE IS A SIGNIFICANT COMPONENT OF MORE FUNDAMENTAL AND ENDURING PROBLEMS. AND ANY GOOD SYSTEM MUST BE ABLE TO COPE WITH OVERLOADS SINCE THEY DO COME ALONG OCCASIONALLY.

2. WHILE IT WOULD BE PREMATURE TO ANTICIPATE AT THIS EARLY STAGE THE SUBSTANCE OF THE COMMITTEE'S EFFORTS, THEY SHOULD PROBABLY NOT BE DIRECTED TO SUCH IMMEDIATE

PROBLEMS OF THE CURRENT OUTLOOK AS WHAT MINISTERS OF FINANCE OR CENTRAL BANKS NEED TO DO "TODAY", NOR SHOULD THEY BE DEVOTED TO PROVIDING YET ANOTHER SET OF ANALYTICAL PROJECTIONS OR MODELS EXCEPT AS THESE ARE REQUIRED INCIDENT TO THE MAJOR TASKS. THE MAJOR CONCERN OR TASK WOULD BE TO EXAMINE FUNDAMENTAL TRENDS AND DEVELOPMENTS INCIDENT TO APPRAISING THEIR IMPLICATIONS FOR THE MANAGEMENT OF ECONOMIC POLICY. THIS WILL INVOLVE TAKING A NEW AND HARD LOOK AT THE RECORD AND ROLE OF CONVENTIONAL INSTRUMENTS SUCH AS FISCAL, MONETARY, AND INCOME POLICIES, BUT THE COMMITTEE MUST ALSO BE PREPARED TO LOOK BEYOND THE AMBIT OF THESE INSTRUMENTS IF A REALISTIC APPRAISAL OF THEIR PROBABLE RESULTS SUGGESTS THAT LARGE ECONOMIC PROBLEMS WOULD THEREBY REMAIN UNRESOLVED. THE COMMITTEE MUST ALSO KEEP IN MIND THE INCREASINGLY EXTENSIVE INTERFACE BETWEEN ECONOMICS AND ECONOMIC POLICIES IN THE USUAL SENSE AND SOCIAL PROBLEMS AND POLICIES.

3. THE STRUCTURE OF THE COMMITTEE, AS WE DISCUSSED IT, SEEMED TO ME TO BE APPROPRIATE. IT SHOULD HAVE ROUGHLY A HALF DOZEN MEMBERS. MEMBERS SHOULD BE THERE FOR WHAT THEY CAN THEMSELVES CONTRIBUTE, NOT TO REPRESENT EITHER GEOGRAPHIC OR IDEOLOGICAL CONSTITUENCES. MEMBERS SHOULD REPRESENT A RANGE OF VIEWS, BACKGROUNDS, AND SPECIALTIES, BUT I WOULD ASSUME THAT THERE WOULD BE A GENERAL SYMPATHY FOR FAVORING PRIMARY RELIANCE ON THE MARKET SYSTEM FOR ORGANIZING ECONOMIC ACTIVITY RATHER THAN FOR THE STATE ORGANIZED ECONOMIC SYSTEMS. WITHIN THAT GENERAL PRESUMPTION, OF COURSE, THERE WILL BE SUBSTANTIAL DIFFERENCES OF VIEWS ABOUT THE APPROPRIATE ROLE OF GOVERNMENT. WHILE THE OECD MUST, OF COURSE, RETAIN RESPONSIBILITY FOR CONSTITUTING THE COMMITTEE, THE CHAIRMAN SHOULD BE INVOLVED

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ALSO IN THE SELECTION PROCESS.

4. THE FIRST MEETING OF THE COMMITTEE OUGHT TO BE IN EARLY OCTOBER AT THE OECD. PRIOR TO THAT, PERHAPS IN SEPTEMBER, THERE SHOULD BE A PLANNING MEETING INVOLVING YOU (TO THE EXTENT YOUR SCHEDULE PERMITS) AND YOUR COLLEAGUES, THE INDIVIDUALS THERE WHO WOULD HAVE PRIMARY STAFF RESPONSIBILITIES, AND THE COMMITTEE CHAIRMAN. OUT OF THIS SHOULD EMERGE A MEMORANDUM WHICH COMMITTEE MEMBERS COULD HAVE IN ADVANCE TO HELP FOCUS THEIR THINKING FOR THE OCTOBER MEETING.

5. AS FOR MY OWN PARTICIPATION AS CHAIRMAN, I AM OF TWO

MINDS. THE IMPORTANCE OF THE VENTURE ARGUES FOR A CHAIRMAN WHO CAN CONSIDER THIS THE MAJOR CLAIM ON HIS TIME. IN REVIEWING MY OWN COMMITMENTS, I FIND IT IMPOSSIBLE TO DIVEST MYSELF OF OBLIGATIONS HERE TO THE POINT OF MAKING

THE COMMITTEE MY PRINCIPAL EFFORT INTO 1976. THROUGH AUGUST I AM QUITE FULLY COMMITTED, FIRST TO A FAMILY VACATION AND LATER FOR A TRIP TO THE USSR (CONCLUDING IN EARLY SEPTEMBER). WHILE IT IS DIFFICULT TO SPECIFY A PERCENTAGE SHARE, WHICH INEVITABLY IS AN AVERAGE OF PROPORTIONS VARYING WIDELY AT DIFFERENT STAGES, I WOULD ESTIMATE THE PROPORTION OF MY TIME THAT COULD BE MADE AVAILABLE AT ROUGHLY 15 PERCENT (THREE TO FOUR DAYS PER MONTH). IF I WERE TO TAKE ON THE RESPONSIBILITY, I WOULD WANT IN THE BUDGET ENOUGH FOR A PART TIME ADMINISTRATIVE ASSISTANT (NOT NECESSARILY AN ECONOMIST) TO BE LOCATED IN ANN ARBOR WHO MIGHT COST PERHAPS \$5,000 TO \$7,000, AND THE STAFF PEOPLE THERE INVOLVED IN THE EFFORT SHOULD ALSO BE PREPARED FOR AN OCCASIONAL ODYSSEY TO MICHIGAN. I WOULD NOT PLAN TO ACCEPT ANY SIPPEND BUT I WANT REIMBURSEMENT FOR THE NECESSARY AIR TRAVEL FIRST CLASS (A CONCESSION TO THE LIMITATIONS OF ENERGY AS THE YEARS ADVANCE).

6. I HAVE OUTLINED MY VIEWS HERE IN SOME DETAIL NOT IN ORDER TO LAY DOWN "CONDITIONS" BUT IN ORDER TO DISCLOSE FULLY TO YOU THE NATURE OF MY POSSIBLE PARTICIPATION. IF THIS BASIS WOULD MAKE FOR A VIABLE ARRANGEMENT, AS YOU SEE IT, I WOULD BE GLAD TO ACCEPT THE CHAIRMANSHIP
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IF IT WERE OFFERED. IF, HOWEVER, A SUITABLE CHAIRMAN CAN BE FOUND WHO CAN DEVOTE A MAJOR PROPORTION OF HIS TIME TO THE PROJECT, I WOULD STRONGLY URGE THAT YOU TURN TO HIM. INGERSOLL

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